

SCHEDULE 1 – COAL TRANSPORTATION SYSTEM SUMMARY SHEET

1 CUSTOMER NAME AND CODE _____ / _____
ADDRESS _____
CITY _____ STATE _____ ZIP _____

2 LEASE NUMBER: _____
MINE NAME: _____
FACILITY NAME/ID NUMBER: _____
PRODUCT: _____
LINE NUMBER(S) FROM PAGE 1: _____

PERIOD: _____ 20 _____ to _____ 20 _____

(a) Segment of Transportation	(b) Mode of Transportation	(c) Arm's-Length/ Customer-Owned Indicator	(d) Arm's-Length Contract/ Customer-Owned Operating Costs	(e) Depreciation	(f) Rate of Return	(g) Beginning-of-Year Undepreciated Capital Investment	(h) Return on Investment (f) x (g)	
From	To							
A. TRANSPORTING COAL TO A REMOTE WASHING FACILITY.								
_____	_____	_____	_____	\$ _____	\$ _____	_____	\$ _____	\$ _____ 3
_____	_____	_____	_____	_____	_____	_____	_____	_____ 4
_____	_____	_____	_____	_____	_____	_____	_____	_____ 5
Totals				\$ _____	\$ _____		\$ _____	\$ _____ 6
				\$ _____	÷	_____	=	\$ _____ 7
				Part A Total Cost		Part A Total Clean Tons		Cost per Ton

Allowance rate = (6d + 6e + 6h) / Tons of production transported from the mine to the washing facility, expressed in terms of clean coal tonnage.

B. TRANSPORTING COAL TO A REMOTE SALES POINT								
_____	_____	_____	_____	\$ _____	\$ _____	_____	\$ _____	\$ _____ 8
_____	_____	_____	_____	_____	_____	_____	_____	_____ 9
_____	_____	_____	_____	_____	_____	_____	_____	_____ 10
Totals				\$ _____	\$ _____		\$ _____	\$ _____ 11
				\$ _____	÷	_____	=	\$ _____ 12
				Part B Total Cost		Part B Total Tons		Cost per Ton

Allowance rate = (11d + 11e + 11h) / Tons of coal transported from the mine/plant to the sales point.

Total Unit Allowance Rate = line 7h plus line 12h.

Royalty Allowance Amount for coal transported and sold during the reporting period = Allowance rate (line 13) times lease tons transported and sold during the reporting period (_____ tons) times the lease ad valorem royalty rate (_____ %).

Royalty Allowance Amount for coal transported during a prior period and sold during the reporting period = Allowance rate for deferred tons (_____) times lease tons of deferred coal sold during the reporting period (_____ tons) times the lease ad valorem royalty rate (_____ %).

Total Royalty Allowance Amount = line 14 plus line 15.

\$ _____ **13**
Cost per Ton
\$ _____ **14**
\$ _____ **15**
\$ _____ **16**

INSTRUCTIONS FOR COMPLETING FORM MMS-4293, SCHEDULE 1

Use a separate Schedule 1 to determine the royalty transportation allowance amount for each lease number/transportation facility combination. Do not take an allowance if the transportation facility is not off the lease.

Use Part A to accumulate segment costs and compute an allowance for transporting coal from the lease to a remote washing facility. Use Part B to accumulate segment costs and compute an allowance for transporting coal from the lease to a remote sales point.

You must submit a clear schematic diagram, on no larger than 8-1/2 x 11-inch paper, illustrating the transportation facility from the lease to the point where the coal is disposed. Designate transportation segments, measurement points, and points of sale or disposition for royalty purposes.

1. ***Customer Name, Code, and Address*** – Enter the same company name, code, and address as used on Page 1 of the Form MMS-4293.
2. ***Lease and Mine Information*** – Enter the same lease number and mine name combination as used on Page 1 of the Form MMS-4293. Enter a transportation name or facility number unique to the transportation facility. (For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.) Enter the same product as entered on page 1. Enter the line number corresponding to the lease and mine referenced on Page 1. Enter the same reporting period as shown in item 5 on Page 1.

The following instructions apply to ***Part A*** (lines 3-5) and ***Part B*** (lines 8-10):

- a. ***Segment of Transportation*** – Describe each segment of the transportation facility; e.g., from lease M12-345678-0 to the Warrington washing facility.
- b. ***Mode of Transportation*** – Describe the mode of transportation under which you incur costs; e.g., truck, rail, slurry pipeline.
- c. ***Arm's Length/Customer-Owned Indicator*** – Indicate how you incurred the facility/segment costs as follows:
 - “4” if you incur 100% of the transportation costs under non-arm's length conditions
 - “5” if transportation costs were a combination of arm's length and non-arm's length conditions
 - “6” if you incur 100% of the transportation costs under arm's length conditions
- d. ***Arm's Length Contract/Customer-Owned Operating Costs*** – If you incur transportation costs under arm's length conditions, enter the total costs incurred for the period by multiplying the transportation rate by the volume transported at that rate. Do not take an allowance for coal that is not valued for royalty purposes. If two or more rates apply during the reporting period, compute and sum the cost incurred under each rate.

If you incur transportation costs under non-arm's length or customer-owned conditions, complete columns (d) through (h). Using Schedule 1A, determine the operations, maintenance, and overhead expenditures and enter the totals in column (d). Complete a separate Schedule 1A for each individual segment.

Do not complete columns (e) through (h) for arm's length costs.

- e. **Depreciation** – Enter depreciation costs for the reporting period. Use Schedule 1B to determine depreciation costs.
 - f. **Rate of Return** – The rate of return is the industrial rate associated with Standard and Poor's BBB rating. Enter the monthly average rate as published in Standard and Poor's Bond Guide for the first month of the reporting period.
 - g. **Undepreciated Capital Investment at Beginning of Year** – Enter the beginning-of-year undepreciated capital investment. You must use Schedule 1B to determine beginning-of-year undepreciated capital investment. Complete a separate Schedule 1B for each individual segment.
 - h. **Return on Investment** – Multiply column (f) by column (g) to calculate the return on undepreciated capital investment.
6. **Totals** – Enter the totals from columns (d), (e), and (h).
7. **Part A Totals**– Sum lines 6d, 6e, and 6h and enter in Part A Total Cost. Enter in Part A Total Clean Tons the total volume of production transported from the lease to the washing facility, as measured at the approved point of royalty measurement. Compute the allowance cost per ton by dividing Part A Total Cost by Part A Total Clean Tons. Calculate it to six decimals and enter it in Cost per Ton.
11. **Totals** – Enter the totals from columns (d), (e), and (h).
12. **Part B Totals** – Sum lines 11d, 11e, and 11h and enter in Part B Total Cost. Enter in Part B Total Tons the total volume of production transported from the lease to the remote sales point, as measured at the approved point of royalty measurement. Compute the allowance cost per ton by dividing Part B Total Cost by Part B Total Tons. Calculate it to six decimals and enter it in Cost per Ton.
13. **Total Unit Allowance Rate** – Add lines 7h and 12h.
14. **Royalty Allowance Amount for Current Reporting Period** – Multiply line 13 by the lease tons transported and sold during the reporting period and by the lease ad valorem royalty rate.
15. **Royalty Allowance Amount for Coal Transported in a Prior Reporting Period and Sold in the Current Period** – Multiply the allowance rate for deferred tons by the lease tons of deferred coal sold during the reporting period and by the lease ad valorem royalty rate.
16. **Total Royalty Allowance Amount** – Add lines 14 and 15.

**SCHEDULE 1A -- NON-ARM'S-LENGTH
TRANSPORTATION SYSTEM/
SEGMENT OPERATIONS,
MAINTENANCE AND OVERHEAD
EXPENDITURES**

CUSTOMER IDENTIFICATION BLOCK			
Customer Name and Code: _____			
Lease No: _____			
Mine Name: _____			
Facility ID No: _____			
Segment ID No: _____			
Period:	20	to	20

☐ Estimated Costs - Check when estimating costs for system/segment start-up.

A. Lessee's Operating Costs for System / Segment

Operations Supervision and Engineering	\$ _____	1
Operations Labor	_____	2
Utilities	_____	3
Materials and Supplies	_____	4
Ad Valorem Property Taxes	_____	5
Rent / Leasing	_____	6
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	7
Total Operating Costs -- Subtotal	\$ _____	8

B. Lessee's Maintenance Costs

Maintenance Supervision	\$ _____	9
Maintenance Labor	_____	10
Materials	_____	11
Other (specify). Attach Supplemental Schedule 1A as necessary	_____	12
Total Maintenance Costs -- Subtotal	\$ _____	13

C. Lessee's Overhead Allocation (specify)

_____	\$ _____	14
_____	_____	15
Other (specify) use Supplemental Schedule 1A	_____	16
Total Overhead Allocation	\$ _____	17

D. Total Operating and Maintenance Costs

\$ _____	18
----------	----

INSTRUCTIONS FOR COMPLETING FORM MMS-4293, SCHEDULE 1A

Use Schedule 1A to record reasonable, actual operating, maintenance, and overhead costs for a transportation segment for the prior reporting period. You must complete a separate Schedule 1A for each segment in the transportation facility. Accumulate the costs for all transportation facility segments to determine the total operating costs for the facility. On the following page of instructions is a list of allowable and nonallowable costs to use as a guide in determining operating, maintenance, and overhead costs. You must use this schedule only when the transportation segments are non-arm's length, either because your affiliate is performing the service or you are transporting the coal yourself.

Customer Information Block – Enter the same customer name and code as used on page 1 of the Form MMS-4293, Coal Transportation Allowance Report.

Enter the same lease number and mine name as used on page 1 of the Form MMS-4293.

Enter a transportation name or facility number unique to the transportation facility.

Enter the transportation segment name or identification number unique to the transportation segment. (For a transportation facility consisting of only one segment, the segment name or number will be the same as the facility name or number.)

Enter the same reporting period as shown in item 5 on page 1 on Form MMS-4293.

Part A and Part B – Identify and list on Part A and Part B all operating and maintenance costs directly attributable to the transportation facility/segment during the reporting period. If you need additional space to identify or explain other cost items, complete and attach a Supplemental Schedule 1A noting the nature and amount of the cost.

Total Operating Costs – Subtotal (8) – Sum lines 1-7.

Total Maintenance Costs – Subtotal (13) – Sum lines 9-12.

Part C – Identify and list all overhead costs directly allocable and attributable to the operations and maintenance of the transportation facility/segment. If you need additional space, complete and attach a Supplemental Schedule 1A noting the nature and amount of the expenditure.

Total Overhead Allocation - (17) – Sum lines 14-16.

Part D, Total Operating and Maintenance Costs – Sum lines 8, 13, and 17.

ALLOWABLE AND NONALLOWABLE OPERATING, MAINTENANCE, AND CAPITAL COSTS

Allowable Capital Costs – Allowable capital costs are generally those costs for depreciable fixed assets (including costs of delivery and installation of capital equipment) which are an integral part of the transportation system. The following capital items are generally considered allowable: garages and warehouses, rail haulage equipment including rail spurs, trucks, and roads.

Nonallowable Capital Costs – Nonallowable capital costs include costs incidental to marketing (e.g., storage and treatment). Also, schools, hospitals, roads, sewer and other capital improvements or equipment not an integral part of the transportation facility are not allowable capital costs. The capital cost associated with the preparation of an environmental impact statement is not allowable. However, capital costs for environmental equipment that are an integral part of the transportation facility are allowable.

Allowable Operating Costs – Allowable operating and maintenance costs are those nondepreciable costs that are directly attributable to the operation and maintenance of a transportation facility/segment. These expenditures include:

- Salaries and wages paid to employees and supervisors while engaged in the operation and maintenance of equipment and facilities
- Fuel and utility costs directly related to transporting lease products
- Chemicals aiding in the transportation of the coal
- Repairs, labor, materials, and supplies directly related to transportation equipment and facilities
- Port and toll fees, insurance and ad valorem property taxes (Federal and State income taxes are not allowable deductions)
- Arm's length rental, leasing, or contract service costs for equipment, facilities, on-site location or maintenance of equipment and facilities
- General administrative overhead costs (headquarters, personnel, telephone service, payroll taxes, employee benefits, vehicle expenses, office supplies, etc.). The total of these costs is limited to those reasonable expenditures directly attributable and allocable to the operation and maintenance of the transportation equipment and facilities.

Nonallowable Operating Costs – Nonallowable operating costs include:

- Costs incidental to marketing, and other operating costs associated with nonallowable capital expenditures which are not directly allocable or attributable to the transportation of lease products.
- Federal and State income taxes, production taxes, royalty payments, or fees such as State severance taxes
- Costs for services that you are obligated to perform at no cost to the lessor.

**SUPPLEMENTAL
SCHEDULE 1A-- NON-ARM'S-LENGTH
TRANSPORTATION SYSTEM/
SEGMENT OPERATIONS,
MAINTENANCE, AND OVERHEAD
EXPENDITURES**

CUSTOMER IDENTIFICATION BLOCK			
Customer Name and Code: _____			
Lease No: _____			
Mine Name: _____			
Facility ID No: _____			
Segment ID No: _____			
Period:	20	to	20

Type of Expenditure - Describe:

[illegible]

Total

\$

INSTRUCTIONS FOR COMPLETING FORM MMS-4293,
SUPPLEMENTAL SCHEDULE 1A

Use Supplemental Schedule 1A to identify and document operating, maintenance, and overhead expenditures listed under the "Other" expenditure categories on Schedule 1A.

Complete the customer identification block (see Schedule 1A instructions).

Complete a separate Supplemental Schedule 1A for other operating costs, other maintenance costs, and other overhead costs associated with the transportation facility/segment. Describe and specify each expenditure item and amount. Retain receipts and invoices in your office, subject to audit. Sum the amounts of each expenditure on the Total line. Enter the total amount of the operations, maintenance, or overhead expenditures on Schedule 1A, line 7, 12, or 16, as appropriate.

Customer Name and Code:

Mine Name:

Segment ID No:

Period: 20 to 20

FORM MMS-4293 SCHEDULE 1B (10/2004)

INSTRUCTIONS FOR COMPLETING FORM MMS-4293, SCHEDULE 1B

Use Schedule 1B to summarize actual or estimated facility/segment depreciation and undepreciated capital investment for computing return on investment for each non-arm's length or no-contract transportation segment. These costs are capital equipment that is an integral part of the transportation system and may include, for example, trucks, rail cars, or locomotives. You must complete a separate Schedule 1B for each segment in the transportation facility. The costs of all transportation facility segments are accumulated on Schedule 1 to determine the total depreciation and undepreciated capital investment for the facility. You must use this schedule only when the transportation segments are non-arm's length, either because your affiliate is performing the service or you are transporting the coal yourself.

Complete the customer identification block (see Schedule 1A instructions).

Complete a line for each facility/segment capital expenditure item as follows:

1. **Expenditure Item** -- Identify the capital expenditure item. List all major equipment exceeding \$50,000 in initialized capitalized value individually.
2. **Initial Capital Investment and Date Placed in Service** -- Enter the initial capital expenditure amount and the date the expenditure was placed in service.
3. **Salvage Value** -- Enter a reasonable salvage value.
4. **Depreciable Life/Years of Depreciation Taken to Date** -- Enter the depreciable life of the expenditure and the number of years of depreciation taken to date.
5. **Beginning-of-Year Undepreciated Capital Investment** -- Enter the undepreciated capital investment at beginning-of-year. In computing this value, deduct salvage from the initial capital investment.
6. **Depreciation** -- Enter the amount of depreciation to be taken for the year. In computing depreciation, you may elect to use either a straight-line depreciation method or a unit of production method based on the life of the equipment or the life of the reserves which the transportation facility/segment services. Once you make an election, you may not alternate methods without MMS approval. Do not depreciate equipment below a reasonable salvage value.
7. **End-of-Year Undepreciated Capital Investment** -- Enter the undepreciated capital investment at end-of-year. Compute this by subtracting depreciation from the beginning-of-year undepreciated capital investment. Also use this amount as the next year's beginning-of-year undepreciated capital investment.
8. **Totals** -- Sum columns 5 and 6 and enter on Schedule 1, Part A, columns g and e, or Part B, columns g and e, accordingly.